

AR10

INDUSTRIAL ADHESIVES LIMITED

Keep it  
short

ANNUAL REPORT 1970









## **INDUSTRIAL ADHESIVES LIMITED**

**90 TYCOS DRIVE, TORONTO 19, ONTARIO**

### **DIRECTORS**

D. L. Adam, A. R. Bennett, R. H. Dameron, R. W. Finlayson,  
C. L. Kalthoff, C. P. Keeley, H. Sutherland.

### **OFFICERS**

C. L. Kalthoff  
*Chairman and President*

D. L. Adam  
*Vice-President and Technical Director*

A. R. Bennett  
*Vice-President, Sales*

R. H. Dameron  
*Vice-President, Manufacturing*

H. H. Frazer  
*Vice-President, Eastern Division*

R. L. S. Snell  
*Secretary-Treasurer*

### **TRANSFER AGENTS AND REGISTRARS**

National Trust Company, Limited  
Toronto, Montreal

### **SOLICITORS**

Fraser & Beatty

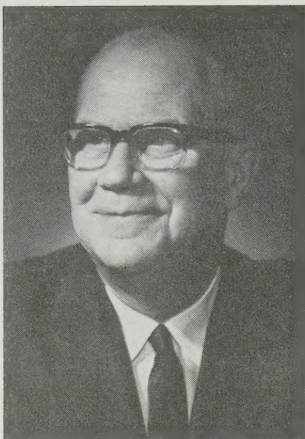
### **BANKERS**

The Toronto-Dominion Bank, Toronto

### **AUDITORS**

Dunwoody & Company





C. L. KALTHOFF  
Chairman and President

Sub. of St. Brands Inc. of N.Y.

## REPORT TO THE SHAREHOLDERS

We are pleased to submit our Annual Report for the year ended October 31, 1970.

The growth pattern indicated in our three quarterly reports for 1970 continued through the final quarter and we are proud to report that for the 1970 fiscal year we achieved an increase of 6.01% in sales and 12.97% in earnings over the previous year. Our working capital increased to \$775,774 at year end compared with \$648,915 at the end of 1969, creating working capital ratios of 3.19 to 1 and 2.44 to 1 respectively. Shareholders' equity increased by \$146,913 to \$1,305,260 at the end of the current year compared with an increase of \$140,010 to \$1,158,347 at the end of last year.

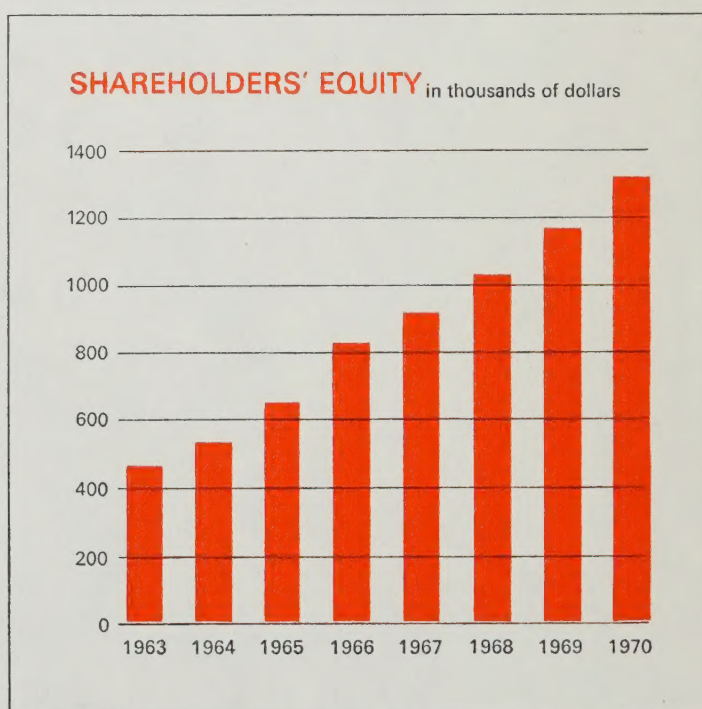
The construction of our new Montreal plant is proceeding on schedule and we have included pictures taken during the latter part of November on the inside back cover of the Annual Report. We are able to finance this major capital addition from retained earnings without incurring any long term debt. Building a new Montreal plant will mean both our plants will be completely modern. This will enable your Company to effect many efficiencies and operating economies and thereby provide better service for our rapidly growing number of customers. The production equipment obtained with the acquisition of the Canadian Paisley Adhesives Division of Standard Brands Chemical Industries Inc. will fit very well into our new plant and create improvements in the productivity for our existing products along with providing capacity for new developments. There will be a decreased need for stock movement between our two plants with resultant savings in trucking costs.

It will be possible, with our new facilities and increased capacity, to diversify still further the products related to

our present line as well as expand in other allied fields. In this area there are opportunities under consideration and negotiations are proceeding which could result in major breakthroughs for future expansion.

The acquisition of the licence for the Cordec plastisol patented products (from the Paisley Division of Standard Brands Chemical Industries Inc.) in Canada is contributing a substantial volume of new business. A picture on the inside back cover of this report shows some of the many and varied applications of these products being presently utilized by some of our manufacturing customers. There are many more new products and applications being constantly investigated by the Sales, Marketing, Research and Development personnel of your Company.

The sales of our hot melt products are steadily increasing to the extent that they are currently being supplied





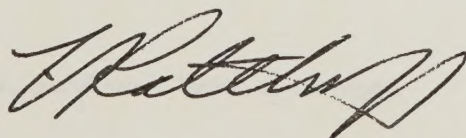
to more than 250 customers in over 25 new applications. These results justify your Company's pride in having taken a long term view in this development and being one of the pioneers in this field.

Our special allowance for scientific research from the Federal Government has again been received which confirms your Company's belief that our research and development program is a highly important function in our organization.

A regular quarterly dividend of 12¢ per share was declared at a directors' meeting held on December 22. This dividend is payable January 29, 1971 to shareholders of record January 8, 1971.

Having now completed 24 years of operation, 5 of them as a public company, we enter the year that marks a quarter century of existence. At this important milestone, I wish, on behalf of the Directors and Officers, to thank all the employees for their constant loyalty, support and efforts. It is most gratifying to realize the number who have devoted their talents toward the continuing success the Company has enjoyed over the years of its existence. It is also gratifying to see reflected employee confidence evidenced by the growing number of employee shareholders.

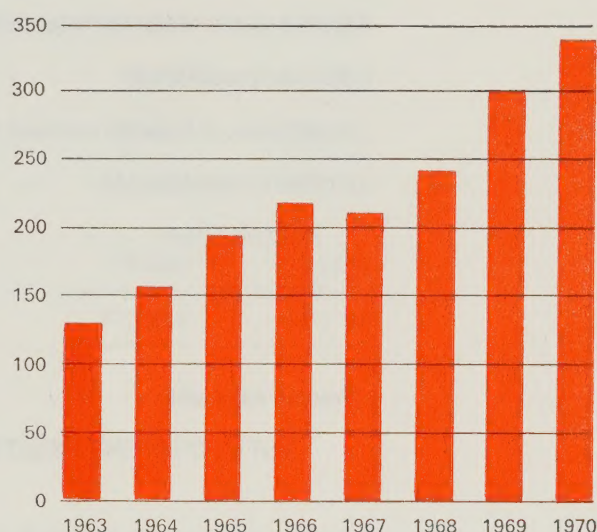
On behalf of the Board of Directors I would like to express sincere appreciation to our valued customers for their continuing patronage and our shareholders for their confidence in our Company.



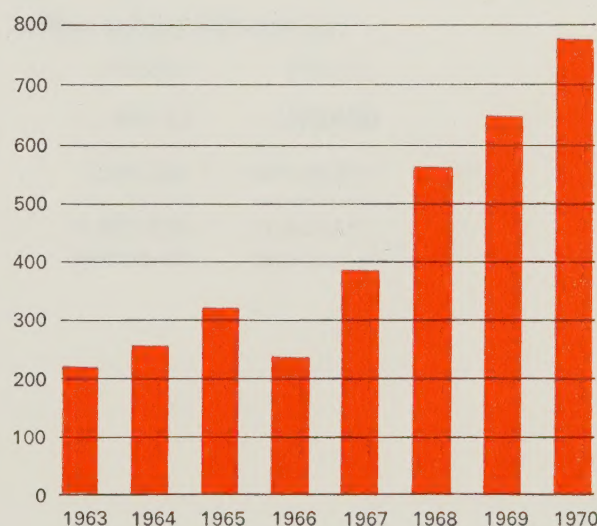
*Chairman and President*

December 23, 1970

**PROFIT** in thousands of dollars



**WORKING CAPITAL** in thousands of dollars



# INDUSTRIAL ADHESIVES LIMITED

## CONSOLIDATED BALANCE SHEET

as at 31 October 1970

### ASSETS

	1970	1969
CURRENT		
Cash and short term bank deposits - - - - -	\$ 117,393	\$ 238,536
Accounts receivable - - - - -	612,483	514,195
Inventories, at lower of cost and net realizable value:		
Raw materials - - - - -	221,884	190,682
Finished goods - - - - -	110,092	98,400
Containers - - - - -	44,344	43,068
	376,320	332,150
Prepaid expenses - - - - -	23,474	14,886
TOTAL CURRENT ASSETS - - - - -	1,129,670	1,099,767
INVESTMENTS IN MARKETABLE SECURITIES, at cost		
(market value—1970—\$81,429; 1969—\$94,664) - - - - -	102,638	102,638
FIXED		
Land, buildings, plant and equipment, at cost - - - - -	889,069	821,463
Less accumulated depreciation - - - - -	443,772	398,182
	445,297	423,281
OTHER		
Formulae - - - - -	1	1
	\$1,677,606	\$1,625,687

Approved on behalf of the Board of Directors:

C. L. KALTHOFF  
Director

R. H. DAMERON  
Director



## LIABILITIES AND SHAREHOLDERS' EQUITY

	1970	1969
CURRENT		
Accounts payable and accrued liabilities - - - - -	\$ 203,249	\$ 227,886
Corporation income, sales and other taxes - - - - -	75,197	149,666
Liability for containers in customers' hands - - - - -	75,450	73,300
TOTAL CURRENT LIABILITIES - - - - -	353,896	450,852
DEFERRED INCOME TAXES - - - - -	18,450	16,488
TOTAL LIABILITIES - - - - -	372,346	467,340

## SHAREHOLDERS' EQUITY

### Capital

#### Authorized

200,000 5% Non-cumulative preference shares of par value \$1.00 each, redeemable at \$1.20—\$200,000

1,000,000 Common shares of no par value, aggregate consideration not to exceed \$1,000,000

#### Issued and fully paid

400,000 Common shares - - - - -	144,311	144,311
Earned Surplus - - - - -	1,160,949	1,014,036
	1,305,260	1,158,347
	\$1,677,606	\$1,625,687

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended 31 October 1970

	1970	1969
PROFIT FOR THE YEAR, before accounting for the under-noted items - - -	\$ 873,155	\$ 790,655
Add: Income from investments - - - - -	18,705	18,668
	<u>891,860</u>	<u>809,323</u>
Less: Depreciation - - - - -	45,590	47,946
Mortgage interest - - - - -	—	391
Remuneration of directors and of officers who are directors - - - - -	152,032	146,726
	<u>197,622</u>	<u>195,063</u>
PROFIT FOR THE YEAR BEFORE PROVISION FOR CORPORATION		
INCOME TAXES - - - - -	694,238	614,260
PROVISION FOR CORPORATION INCOME TAXES - - - - -	355,325	314,250
NET PROFIT FOR THE YEAR (Per share: 1970—85¢; 1969—75¢) - - - -	<u>\$ 338,913</u>	<u>\$ 300,010</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31 October 1970

### Note 1—PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Industrial Adhesives Limited and those of its wholly-owned subsidiary Industrial Adhesives (Eastern) Limited.

### Note 2—DEPRECIATION POLICY

Depreciation has been calculated on the declining balance method at rates normally permitted for income tax purposes.

### Note 3—CONTRACTUAL OBLIGATION

A contractual obligation with respect to new plant construction at Pointe Claire, Quebec amounts to approximately \$185,000.

### Note 4—GROSS OPERATING REVENUE

Gross operating revenue for the year ended 31 October 1970 increased by 6.01% as compared with that of the year ended 31 October 1969.

### Note 5—REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the Company and its subsidiary to the directors and senior officers amounted to \$187,778 for the year ended 31 October 1970 and \$178,755 for the year ended 31 October 1969.

## CONSOLIDATED STATEMENT OF EARNED SURPLUS

for the year ended 31 October 1970

	1970	1969
BALANCE AT BEGINNING OF YEAR - - - - -	\$1,014,036	\$ 874,026
Net profit for the year - - - - -	338,913	300,010
	<u>1,352,949</u>	<u>1,174,036</u>
Dividends - - - - -	192,000	160,000
BALANCE AT END OF YEAR - - - - -	<u>\$1,160,949</u>	<u>\$1,014,036</u>



## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31 October 1970

	1970	1969
SOURCE OF FUNDS		
Net profit for the year - - - - -	\$ 338,913	\$ 300,010
Add depreciation, a non-cash outlay - - - - -	45,590	47,946
FUNDS PROVIDED FROM OPERATIONS - - - - -	384,503	347,956
Deferred income taxes - - - - -	1,962	—
Proceeds from sale of investments (net) - - - - -	—	2,160
Special refundable corporation tax - - - - -	—	5,863
TOTAL SOURCE OF FUNDS - - - - -	386,465	355,979
APPLICATION OF FUNDS		
Net additions to fixed assets - - - - -	67,606	61,295
Purchase of investments - - - - -	—	43,445
Dividends - - - - -	192,000	160,000
Deferred income taxes - - - - -	—	7,046
TOTAL APPLICATION OF FUNDS - - - - -	259,606	271,786
INCREASE IN WORKING CAPITAL - - - - -	126,859	84,193
WORKING CAPITAL AT BEGINNING OF YEAR - - - - -	648,915	564,722
WORKING CAPITAL AT END OF YEAR - - - - -	\$ 775,774	\$ 648,915

## AUDITORS' REPORT

To the Shareholders of  
INDUSTRIAL ADHESIVES LIMITED

We have examined the consolidated balance sheet of Industrial Adhesives Limited as at 31 October 1970 and the consolidated statements of earned surplus, profit and loss and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at 31 October 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, Ontario  
2 December 1970

DUNWOODY & COMPANY  
CHARTERED ACCOUNTANTS



## EIGHT-YEAR COMPARISON

### OPERATIONS:

	1970	1969	1968	1967	1966	1965	1964	1963
Profit before depreciation and income taxes - - - -	\$ 739,828	\$ 662,206	\$ 523,398	\$445,340	\$447,468	\$402,716	\$324,785	\$251,745
Depreciation - - - - -	45,590	47,946	39,388	43,690	25,264	28,225	32,139	27,271
Income taxes - - - - -	355,325	314,250	242,725	190,700	207,200	182,300	139,000	97,413
Profit - - - - -	338,913	300,010	241,285	210,950	215,004	192,191	153,646	127,061
Profit per share - - - - -	85¢	75¢	60¢	53¢	54¢	51¢	41¢	34¢
*Shares outstanding at year-end - - - - -	400,000	400,000	400,000	400,000	400,000	375,120	375,120	375,120

\* after giving effect to a 2 for 1 sub-division of shares by supplementary letters patent dated October 21, 1965.

### FINANCIAL:

Working capital - - - -	\$ 775,774	\$ 648,915	\$ 564,722	\$383,137	\$236,759	\$321,464	\$252,541	\$216,592
Investments in marketable securities (market value) -	81,429	94,664	55,339	49,750	126,713	70,538	49,112	25,375
Net investment in land, building, plant and equipment -	445,297	423,281	409,932	435,693	397,015	252,716	268,612	262,494
Shareholders' equity - - -	1,305,260	1,158,347	1,018,337	901,054	814,104	635,370	526,494	456,163
Shareholders' equity per share -	\$3.26	\$2.90	\$2.55	\$2.25	\$2.04	\$1.69	\$1.40	\$1.22





Platisols are used in the manufacture of such products as air filters, oil filters, tool handle covers and road markers.









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# INDUSTRIAL ADHESIVES LIMITED

INTERIM REPORT  
TO SHAREHOLDERS

FOR THE SIX MONTHS ENDED  
APRIL 30, 1970



May 28th, 1970

Dear Shareholder:

It is a pleasure to submit the unaudited figures for the first six months of our present fiscal year. Noteworthy is the fact that our sales increased 4.9% and our earnings 16.7% over the comparable period of the previous year, as evidenced by the Consolidated Statement of Profit and Loss. As the pattern has been established over the past years that the last six months are substantially higher than the first, we feel extremely confident to achieve another new record in sales and profits again for this fiscal year.

Working capital has increased \$85,559 over the twelve months ended April 30, 1970 and the current ratio is 2.94 to 1 as compared to 2.47 to 1 at April 30, 1969.

Your Company has just completed arrangements with Standard Brands Chemical Industries, Inc., a Division of Standard Brands Incorporated, to purchase their Canadian manufacturing and laboratory equipment, and will be producing and marketing their packaging and construction adhesives in Canada. This also includes a licensing agreement to use their patented processes to produce adhesive Plastisols known by the trademark "Cordec" Bonding Sealants. We believe this to be another important step in the growth of your Company.

C. L. Kalthoff,  
President



# INDUSTRIAL ADHESIVES LIMITED

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(UNAUDITED)

	Six Months Ended	
	April 30, 1970	April 30, 1969
Profit before Income Taxes .....	\$280,750	\$239,600
Income Taxes .....	143,500	121,950
Net Profit .....	<u>\$137,250</u>	<u>\$117,650</u>
Common Shares Outstanding .....	400,000	400,000
Earnings per Common Share .....	34.3 cents	29.4 cents
Dividends paid per Common Share .....	24 cents	20 cents

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(UNAUDITED)

	Six Months Ended	
	April 30, 1970	April 30, 1969
Source of Funds		
Consolidated Net Profit .....	\$137,250	\$117,650
Add: Depreciation, a non-cash outlay .....	21,977	17,466
Funds provided from Operations .....	\$159,227	\$135,116
Special Refundable Corporation Tax .....	—	1,529
Total Source of Funds .....	<u>\$159,227</u>	<u>\$136,645</u>
Application of Funds		
Net Addition to Fixed Assets .....	\$ 25,238	\$ 7,648
Purchase of Investments .....	—	12,374
Dividends .....	96,000	80,000
Total Application of Funds .....	<u>\$121,238</u>	<u>\$100,022</u>
Increase in Working Capital .....	\$ 37,989	\$ 36,623
Working Capital at Beginning of Period .....	648,915	564,722
Working Capital at End of Period .....	<u>\$686,904</u>	<u>\$601,345</u>

(For dividend declaration see over)



**AR10**

**DIVIDEND NOTICE**

A dividend of 12 cents on Common Shares was declared May 28, 1970 payable July 31, 1970 to Shareholders of record July 10, 1970.



**INDUSTRIAL ADHESIVES LIMITED**

Head Office and Toronto Plant  
90 Tycos Drive, Toronto 19, Ontario

Montreal Plant  
2425 Bois Franc Road, Montreal 9, Quebec